Regional Transportation Plan (RTP) Workshop
Finance Strategies
Thursday, October 11, 2007, 1:00 – 4:00
Southern California Association of Governments
818 West Seventh Street, Los Angeles CA 90017

Attending Elected Officials
Alan Wapner, Ontario
Mike Ten, South Pasadena
Gary Ovitt, San Bernardino
Jeff Stone, Riverside County
Marsha McLean, Santa Clarita
Leroy Mills, Cypress
John Beauman, City of Brea
Paul Glaab, Laguna Niguel
Christine Barnes, La Palma
Kathryn McCullough, Lake Forest
Debbie Cook, Huntington Beach
Carol Gross, Culver City
Harry Baldwin, San Gabriel
Toni Young, Port Hueneme
Ron Roberts, Temecula
Robin Lowe, Hemet
Richard Dixon, Lake Forest
Stan Carroll, La Habra Heights
Lou Bone, Tustin
Paul Nowatka, Torrance

Attendees
Reuben Area, La Mirada
Lisa Wellik, LA World Airports
Lori Abrishami, Metro
Charles Griffin, VWA Air Fair
Maria Souza-Rountree, City of LA /CLA
Jolene Hayes, City of Irvine
Carla Walecka, Carla Walecka Planning
Danilo Batson, City of Commerce
Milene Robertson, Caltrans San Bernardino
Amanda Ta, City of Pasadena
Alex Pugh, LA Chamber of Commerce
Robert Machucar, Metro
Alex Moosavi, Metro
Marianne Kim, Auto Club
Jerry Sims, Gold Line Foothill Ext
Diane Forte, Environment Now
Shefa Bhuiyan, Caltrans D8
Arnold Sachs, member of the public
Hideo Sugita, RCTC
Shirley, Medina, RCTC
Greg Gubman, City of Diamond Bar
Mike Labudzki, City of Burbank
Leann Williams, Caltrans
Joanna Capelli, SCRRA
Brad McAllester, Metro
Brad Miller, Town of Apple Valley
Mara Burstein, Environment Now
Aileen Kennyl, Caltrans 12
Helene T. Bibas, City of LA Planning Dept
Rune Koarekvaal, member of the public
Deborah Chankin, GCCOG
Ilene T. Gallo, Caltrans
Dianna Watson, Caltrans D7
Robert L. Rodine, The Polaris Group
Gary Gosliga, March Joint Powers Authority
Emily Baines, Sugerman Communication
Philip Hart, VLILA
Greg Nord, OCTA
Michael Litschi, OCTA
Sharad Mulchand, LA Metro
Ian Pari, Santa Clarita
Eyvonne Sells, AQMD
Ty Schuiling, SANBAG
Kim Fuentes, SBCCOG
Jose Gutierrez, LA EAD
David Chow, IBI Grouop
Damien Goodmon, Get LA Moving
Ann Garcia, City of San Dimas
Eric Shen, Port of Long Beach
Dilara Rodriguez, City of LA Parks
Nathan Baird, Amigos de los Rios
Tamara Campbell, City of Irvine
W. Rehman, LA Department of Public Works
Mary Reyes, LA Department of Public Works

Opening Remarks
Alan Wapner, Chair of the Transportation and Communications Committee (TCC), summarized the purpose of the ongoing RTP Workshops as an opportunity for the Regional Council to build consensus and make recommendations to the TCC on specific topics related to the RTP. He cautioned everyone that due to stricter Federal requirement imposed on the 2008 RTP, mainly financial constraints, SCAG is not able to include projects in the RTP unless we are able to support them financially.

Public Comment Period
Arnold Sachs, a member of the public, voiced several concerns. First, not one cent out of the $3 billion remodeling effort at LAX is going to traffic improvements. Second, MTA recently pushed forward a $900 million Crenshaw

rail plan without a construction authority. Inquired on the funding sources for these projects. Referred to a map of a rail system and pointed out that nothing is west of the 5 freeway.

Charles, Griffin, Newport Beach, supported the viable option of a maglev system running from Anaheim to Ontario; Ontario to Las Vegas; El Toro to Union Station; Union Station to Palmdale. He proposed operating it as an airline that has guide ways, or maglev corridors. The Federal Aviation Administration (FAA) would control the guide ways since they would be used by airlines. The first stage would require the FAA to operate the guide ways as air corridors, which would be controlled by computers, similar to an air traffic control system. Instead of expanding LAX, Long Beach Airport, or John Wayne, the Region should put money in building new guide ways. Mr. Griffin stated that both Long Beach and John Wayne airports can handle all of their passengers and do not need to expand.

Innovative Funding Options – Presentation by Dr. Genevieve Giuliano
In a discussion proceeding the powerpoint presentation, Dr. Giuliano asserted that the region's current approach to funding transportation does not capture externalities such as congestion and air emissions. Moving to a local funding option such as a sales tax that has nothing to do with transportation is not the answer, and arguably, worsens the problem because users of the system do not realize the real cost of transportation. The real loser in using our current funding approach is public transit because we are asking it to compete on an uneven playing field. Even though public transit is subsidized, it is competing in a market where driving is underpriced relative to the cost of the system. Trying to give more subsidies to transit does not solve the problem.

Hasan Ikhrata, SCAG Planning and Policy Director, estimated that the perceived cost of private transportation is 15 cents per mile. When taking into account all real costs associated with maintaining the system, the price per mile increases to tens of dollars.

Charles Griffin, Newport Beach, suggested Fastrak as a replacement to the gas tax since revenues from the gas tax have declined due to more fuel efficient vehicles.

Discussion with Sue Kaiser, Federal Highway Administration (FHWA)
SCAG invited Ms. Sue Kaiser to this Workshop to answer and clarify any issues related to the financial plan of the RTP. Mr. Wapner stated that the 2004 RTP included projects that did not have a committed funding source. He asked Ms. Kaiser to define what the FHWA would be willing to accept as financially constrained.

Ms. Kaiser responded that to be financially constrained, the document must show reasonably expected sources of funding to construct, maintain, and operate the system. All projects listed in the RTP should have three legs to stand on: (1) adequate revenue; (2) realistic construction costs. SafeteaLu requires that construction costs be reflected as year end expenditure dollars; (3) ability to maintain and operate the system. For example, a transit project listed in the RTP should reflect the cost for operators. SafeteaLu takes a more strict approach because it recognizes that nationwide, the system is aging e and costs are often underestimated for major projects. There is the public perception of the inefficiencies of government and it's the responsibility of public officials to fully disclose amounts.

Ms. Kaiser raised some concerns with SCAG's 2004 RTP. She emphasized that the FHWA reviews all regional transportation plans as a whole, and not on a project by project. She suggested that SCAG consider strategies that need a level of commitment. Some activities in the 2004 RTP lacked demonstratable results. An example would be maglev. Maglev has been in the RTP for some time, but the FHWA has not seen sufficient progress to the point that one could say that the sources of funding are reasonably available. If SCAG proposes building a new toll, in order for funds to be reasonably available, it must have a business plan in place, have public support, and have a tolling authority in place. This would prove progress. Additionally, from a Federal perspective, making the assumption that the region is going to get a 20 cent increase from the gas is not reasonable; all you can do is project for inflation.

In terms of proving commitment from private entities, Ms. Kaiser stated that a letter of commitment from the entity would be required. She also recognized that for most public-private partnerships, many private entities are not willing to come on board until the project has cleared the environmental and right-of-way phase. This is difficult to achieve because projects cannot go through the environmental phase until it has demonstrated reasonable funding and included into the RTP. Developing a good business plan and having partners commit in writing are key to public-private partnerships.

In response to the question of whether projects can be considered for federal funding if they are not in the constrained plan. Ms. Kaiser answered no. Congress encourages including "illustrative" projects in what SCAG calls the Strategic Plan to start the conversation with the public. It is more realistic to put plans in the Strategic Plan if they have made no demonstratable progress.

Hideo Sugita, RCTC, spoke of an integrated project called CETAP that connects Riverside County to Orange County. This project has been recognized by the President, has received earmarks, has identifiable sources of funding, and is planning to conduct further feasibility studies with an earmark. Mr. Sugita is concerned that work on this Corridor may be stopped after significant accomplishments have been made.

Sue Kaiser, FHWA, clarified that federal regulations planning or feasibility activities that are not project specific can be included in the overall work program and does not have to be in the TIP. However, if it is an environmental plan, it needs to be included in the TIP.

Ty Schulling , SANBAG, was concerned with the requirement that project costs need to be reflected in the year of expenditure . He stated that essentially, a given project could be shown as being twice as expensive if it were being delivered 15 years from now then 5 years from now. The need to be concerned about dollar values and year of implementation relates to CPI. Mr. Schulling stated that no one can make the prediction. The purchasing power of revenue will vary from one year to the next, which increases the level of complexity of an already complex planning process.

Ms. Kaiser responded that the FHWA is looking for the region to have consensus on projects and to make a good faith effort to estimate costs. It is necessary to continuously revisit costs and revenues.

Michael Litschi, OCTA, asked whether the region was eligible for federal funding if it was conducting feasibility and planning studies for input to the transportation plan

Ms. Kaiser responded that if the study eliminates options and looks at specific alignments, then it would be crossing over and have to be included in TIP and RTP. If you're proposing to use money from Year 1, the entire construction project should be in the RTP because you only have 10 years for construction. FHWA is giving focus to governments that already have a funding source.

Discussion on Financial Strategies and Options
Hasan Ikhrata opened the discussion by stating that federal requirements have changed. He remarked that our region, which continues to experience growth, does not have an adequate revenue source to maintain the system and does not have any business plans for any projects. Therefore, something has to give. Mr. Ikhrata stated that SCAG will not submit a Plan to the federal government to have it rejected. One of the difficulties of putting the RTP together is that SCAG has received different messages from Washington.

Mr. Wapner announced that SCAG will be presenting several financial options. A master list of projects will be presented on the October 25th Workshop, where it will be determined if there is a financial source for each project. Projects that do not have an available funding source will be excluded from RTP.

Using inflation assumptions, SCAG forecasts a $22 billion deficit for the region through 2030 based on the projects submitted by the counties. Transit ridership increased in LA County by 20%, mainly caused by high gas prices.

<u>Financial Strategy #1:</u> Congestion Pricing Strategy (e.g., regional VMT fee, regaional HOT lane network, open-road tolling)

In the past, SCAG discussed vehicle miles traveled (VMT) fees, but decided not to pursue it. This issue is now being re-visited because congestion is not improving, and current analysis has indicated that VMTs demonstrate promise, if priced right. Tracking VMT would be easy to implement due to technological advancements. Calculations show that the revenue from this source would be half a cent to once cent per VMT. SCAG staff is interested in pursuing this issue further, and depending upon study findings and conclusions, potentially utilizing it as an alternative funding mechanism in the outer years of the RTP. However, SCAG emphasizes that Federal agencies will not find this alternative acceptable in its current state.

Mr. Wapner expressed concerns regarding political support for this issue.

Ms. Kaiser, concurred that the hurdle to implementing this Strategy is political support.

Several other members commented that it's time for California culture to change and time for user fees.

The resulting consensus was to recommend further study of congestion pricing as a future financing option although the Federal Government will most likely not accept it as an option at this point.

Financial Strategy #2: State and Federal Gas Excise Tax Increase
The Strategy proposes an additional eight cent per gallon gasoline tax imposed by the State and an eight cent per gallon tax imposed by the Federal government starting in 2011. SCAG recommends an increase to the gas tax rate for inclusion in the constrained RTP.

Several members reiterated that there needs to be political will to authorize an additional fuel tax and that this idea needs to be sold to voters.

Mr. Wapner clarified that the Federal government commits revenues from the gas tax to be used for transportation projects, but there is no guarantee that the tax will come back to the SCAG region.

There was general consensus among the members to include the gas tax in the constrained RTP.

Financial Strategy #3: Index State and Federal Gas Tax
The Strategy proposes to index to inflation (3.8 percent annually) the state and federal gas taxes. SCAG supports indexing the gas tax for inclusion in the Strategic Plan due to political infeasibility; it is not likely that the federal government will accept this strategy.

There was general consensus among members to index the gas tax rate for inclusion in the Strategic Plan, which is not part of the federally approved and conforming RTP.

Financial Strategy #4: Highway Tolls
The Strategy assumes tolls for the 710 Tunnel, 710 South (truck lanes), CETAP Riverside-Orange, High Desert Corridor. SCAG recommends including specific project generated tolls in the financially constrained RTP. At most, there is a 33% recovery of the cost of operating the tolls.

General consensus among the members to include highway tolls in the constrained RTP.

Financial Strategy #5: Container Fees
The Strategy imposes a charge on containerized cargo moving through the Ports/Region. Hasan Ikhrata stated that this concept is not new. The same happened during the construction of the Alameda Corridor, and SB 974 proposes a container fee. Container fees are going to be an important source of funding that should be included in the RTP because the communities have expressed interest in the program. The region is currently lacking a revenue source for infrastructure and mitigation of goods movement. SCAG recommends a maximum container fee of $200, as suggested by Robert Leachman's Port and Modal Ealsticity Study t.

David Yale, Metro, was pleased to see the recommendation of including container fees in the RTP. He trusts that this assumption will not encumber Metro's previously committed funds that can be isolated for trade corridor projects. He encouraged FHWA to work with the SCAG Region so that the nation's trade can flow through our ports. Also stated that the Governor's veto message was encouraging for implementing a fee.

Peter Okurowski, California Environmental Associations, asked SCAG to be specific when describing where the fee is collected; is it a TEU or a container?

Sue Kaiser, FHWA, asked whether it was reasonable to assume that this Strategy is ready to be implemented by 2009 since there is no legislature approval yet. Mr. Ikhrata responded that SCAG is optimistic about the timing of the legislation, and there is a possibility that the Ports may also agree on a negotiated fee.

Ty Schulling, SANBAG, provided a cautionary note that the Governor's veto stipulates that substantial revenue would go toward environmental mitigation efforts rather than infrastructure. Mr. Ikhrata responded that SCAG prioritizes environmental before building infrastructure. Container fees will be used to improve goods movement corridors.

Bob Rodine, The Polaris Group, was concerned that SCAG is addressing container fees in a piecemeal fashion. We have already proposed a Lowethanl fee, VMT paid by trucks that could be translated into a container fee, and now we have a container fee. As a business man, Mr. Rodine would like to look at container fee for what is versus looking at several fees.

Members had no opposition to the container fees and recommended including the container fee revenues in the constrained RTP.

<u>Financial Strategy #6: Local Option Sales Tax Extension for Imperial County</u>
The Strategy proposes a half-cent sales tax on retail sales in Imperial County, dedicated to transportation purposes. The current sales tax expires in 2010. SCAG recommends including the local sales tax extension revenues for Imperial County in the constrained RTP. Potential projects impacted include SR111 freeway and Jasper Rd expressway.

Debbie Cook, Huntington Beach, does not think that it will pass in Imperial County.

There was consensus from members to include the local sales tax in the constrained RTP

<u>Financial Strategy #7: Local Option Sales Tax Imposition for Ventura County</u>
The Strategy proposes a half-cent sales tax on retail sales in Ventura County. SCAG recommends including the Strategy in the Strategic Plan and continuing to work with Ventura County. A member from Ventura agreed to include it in the Strategic Plan.

There was consensus from members to include the Ventura local sales tax in the Strategic Plan.

<u>Financial Strategy #8: Value Capture Strategy</u>
This Strategy includes Mello Roos community district financing, benefit assessment districts, joint development funds from the private sector, real estate sales of Caltrans owned property. Hasan Ikhrata pointed to the greater than expected success of Compass; over 50 cities came forward to seek guidance. Mr. Ikhrata also mentioned that the Director of Caltrans is proposing legislation that would support funds going back to the region for the I-710 Tunnel. SCAG recommends including the value capture strategies in the constrained RTP.

No opposition was heard from the members.

Financial Strategy #9: Private Equity Participation
This is a public-private partnership (PPP) arrangement whereby a private entity designs, finances, builds, operates, and maintains a transportation facility under a lease arrangement for a fixed period of time. Projects must generate sufficient revenues – typically through user fees – to be economically viable. The public sector would forego revenue from these user-fees in exchange for private development. SCAG recommends including PPP financing in the constrained RTP for new projects and not the selling of public assets. There are many projects to consider for this type of financing, some are highway projects and others are transit. Bill 1467 allows the region for two projects for goods movement.

Debbie Cook, Huntington Beach, asked if there have been studies done that show private entities do it more cost effective than public sector?

No opposition was heard from the members.